

**A SURVEY OF THE BUDGETARY PRACTICES AMONG CONSTITUENCY
DEVELOPMENT FUNDS IN NAIROBI COUNTY**

BY

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DECLARATION

This management project is my original work and has not been presented for a degree award in any other university.

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DEDICATION

I dedicate this project to my beloved family who include my mother, Mrs. Kalungu, my brother Samson Kalungu who inspired me, my beloved husband, Mr. Alex Kamitu and my five children namely Ruth Mutheu, Simon Kamitu, Lucy Nzisa, Lilian Katunge and Daniel Ndambuki who sacrificed their family attention to enable me accomplish my course and gave me support. I will not forget the Soi's family for their great support and to all friends & relatives who contributed in one way or another, and also to my late sister Mercy Ndinda who even lost her life during this hard time. God rest her in peace.

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ABSTRACT

A budget is an integral part in the management of any organization; whether public or private. It forms the basis for planning and controlling the use of scarce financial resources in the accomplishment of organization goals and objectives, (Schick 1999). Budgets therefore occupy a leading place among the special tools of management employed to direct and control the affairs of large and small organizations. They are used by governments, industries and other private organizations as well as families. This was a case study aimed at establishing the budgetary practices among Constituency Developments (CDF) allocation in Nairobi county and in Kenya in general. The objectives of the study was to establish the budgetary practices among CDFs in Nairobi county.

The case study was carried out in the eight constituencies of the Nairobi county. The population of interest was the CDF management committee and project managers as they are the ones concerned with issues of budgeting in these constituencies. There are fifteen (15) CDF committee members and a project manager in all the constituencies in Kenya according to the CDF act 2003. This was the target population for the study. The researcher used questionnaires as the main instrument of collecting data. The data analysis was done using SPSS version 17 computer package which analyzed all the views on the factors posed to respondents on budgetary practices. Data was presented in tables, percentages, frequencies, bar graphs and pie charts.

From the study, the researcher found out that activity based budgeting was preferred by many constituencies while a few practiced a combination of activity based and zero based budgeting. The preferred budgeting practice was attributed by the fact that funds are allocated by the CDF board according to the activities of every project and maximum ceiling must be observed. The respondents cited some challenges to the budgetary preparation as lack of enough time for budgeting, lack of clear budgeting policies to budget the funds, lack of enough trained personnel on financial management and lack of access of CDF information for all and lack of budget committees. This could be addressed if these factors were put in place in order to enable proper utilization of CDF resources in Kenya for the common benefit of the local citizens.

LIST OF ABBREVIATIONS

1. CDF - Constituency Development Fund
2. CDFC - Constituency Development Fund Committee
3. GDP - Gross Domestic Product
4. ROK - Republic of Kenya
5. ERWEC - Economic Recovery for Wealth and Employment Creation
6. ESP - Economic Stimulus Programme
7. NGO's - Non Governmental Organizations
8. MBO - Management By Objectives
9. BRP - Budgeting Recovery Program
10. EOQ - Economic Order Quantity
11. ZBB - Zero Based Budgeting
12. ABB - Activity Based Budgeting
13. PPBS - Planning Program and Budgeting Systems
14. DC - District Commissioner
15. CDFB - Constituency Development Fund Board
16. MP - Member of Parliament
17. SPSS - Statistical Package of Science Software
18. NTA - National Tax Payers Association
19. CCB - Change Control Board
20. BRUF - Big requirements Up Front

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the study

Budgeting and financial management have been the core of economic reforms programs in most nations around the world, Shick (1999). They have been the principle instrument of transformation and restructuring of the public sector in several countries. With the growing challenges of budgetary crisis and fiscal shocks, the need for enhanced budgetary process and innovative financial management techniques are increasingly felt in developing countries and transition economies. Budgets could be used to allocate resources optimally by funding those projects promising the highest returns; Hongren (2003). Trentin, (2004) suggests that firms might have very good plans but fail to implement them fully. Effective implementation of budgets enables a firm effectively and efficiently utilize its resources. Budgeting systems are universal and have been considered an essential tool for financial planning. The Constituency Development Fund is currently experiencing an ever growing pressure to meet citizens demands for more and better public services.

According to Drury, (2000) a budget can assist managers in managing and controlling the activities for which they are responsible. By comparing the actual results with the budgeted amount for different categories of expenses, managers can ascertain which costs do not conform to original plan and thus require their attention. This process enables the management to exercise management by exception which means that a managers attention and effort can be concentrated on significant deviations from the expected results. Batty (1975) States that, before a plan is adopted, a number of choices must be considered. The one selected must comply with two requirements; satisfactory profits and long term stability. Forecasts are statements used in the process of determining the plan to adopt. They show what is likely to happen in the future ; that is they relate to probabilities. The two requirements given above must be present and in addition, all statements have to be co-ordinated and harmonized so that they become part of an overall plan; to be called budgets. Once the appropriate set of budgets has been chosen they will be used as a means of locating responsibilities and there by through the use of statements and reports, will enhance control of performance and costs. This entire process is known as budgetary control.

Lucey (2002) defines a budget as a quantitative statement for a defined period of time which may include planned revenues, expenses, assets and liabilities and cash flows. A budget provides a focus for an organization aids the coordination of activities and facilitates control. Planning is achieved by a means of a fixed master budget whereas control is exercised through the comparison of actual costs with a flexible budget. Budgeting is a strategy that is adopted by many organizations to ensure that their goals and objectives are met. A strategy aims at planning, directing and pursuing the goals and objectives of an organizational to achieve a competitive position through realignment of resources to meet the organizational goals. Therefore, the budgetary process is an integral part of both planning and control. It is concerned with making plans for the future, their implementation and monitoring the activities to see if they conform with the budgeted plan.

1.1.1 Budgetary Practices /approaches

Where as budgeting is the act of preparing a budget, budgetary practices are the approaches used in preparation of the budget. These approaches facilitate planning and control of resources available for the various activities in their organization. Budgeting practices assist managers in managing and controlling the activities for which they are responsible by comparing the actual results with the budgeted amounts for different categories of expenses. Such practices that facilitate budgeting include bottom-up budgeting approach (participatory budgeting where all departmental heads and employees are involved), top-down approach (top managers have come up with the budgets and communicate it to its juniors), Agile approach (which is responsive to changes such as costs) middle of the road budgeting approach (where they incorporate the traditional and the agile budget approach). Activity based budgeting (ABB) (uses cost drivers for every activity), zero based budgeting (ZBB)(every cost begins at zero), and computerized budget (uses what if analysis to examine how a result will change if the original predicted data are not achieved). By use of the above approaches, managers can ascertain which costs do not conform to the original plan and thus require their attention. This process enables management to operate a system of management by exception which means that a manager attention and effort can be concentrated on significant deviations from the expected results. By investigating the reason for the deviation, managers may be able to identify inefficient and take the correct course of action to bring the organization back on track, Hongren, C.T (2005).

1.1.2 Constituency Development Fund

The constituency development fund CDF is a government budget allocation of the national resources to its 210 constituencies in Kenya. A constituency is a unit of political representation. For the first time ever in Kenya the constituency is functioning as a development unit. The CDF was developed to create an avenue that facilitates the transfer of resources to the grassroots. It came into existence in the year 2003 when it was introduced in Kenya with the passage of the CDF act 2003 by the 9th parliament. A 2.5% of its revenue was set aside for disbursement under the CDF program. The CDF guideline 2004 outlines the procedure that should be followed in allocation of the fund. A team is chosen to prepare a project proposal which is forwarded to the constituency development fund committee (CDFC).

The CDF allocation 2003-2008 was as follows.

Year	Total annual allocation
2003/2004	1.26billion
2004/2005	5.6 billion (2.5%) of the total revenue
2005/2006	7.2 billion (2.5%) of the total revenue
2006/2007	9.7 billion (3.5%)
2007/2008	10.1 billion (2.7%)

Source; Internet

The CDF guideline of 2004 explains the procedure that should be followed in the allocation of the fund. A team is chosen to prepare a project proposal which is forwarded to the constituency Development Fund Committee (CDFC). This committee then ranks the projects in a priority list of between 5 – 25 in every financial year. The CDFC Board approves the projects and releases disbursements. On approval, priority is given to on-going projects to be completed before starting on new ones. Research carried out by the Kenya Institute of Policy and Research (2006), literates that CDF would be distributed as follows; 15% is allocated to Education Bursary and School Quality Assurance and Standards, 5% on Emergency Reserves, 3% on machinery and equipment recurrent expenses, 2% on monitoring and evaluation, 2% on sports activities and 2% is set aside to finance environmental activities. The remaining 65% would be used to finance developmental projects spread in the order of priority approved. The projects earmarked for funding would be targeting improvement of

infrastructural facilities in health, agriculture, transport and energy. These projects are aimed at triggering development and creation of employment opportunities. These findings were never adopted. Source; CDF guideline, (2004).

Mulwa (2008) argues that community participation in projects instills a sense of responsibility and therefore ensure sustainability of projects. The development of infrastructure such as roads, electricity and water will attract business activities and therefore improve the standard of living of the locals through creation of employment. The CDF has to be budgeted to fit all the allocations mentioned above. Premchand, (2004) states that implementation of the budget requires an advance program of action evolved within the parameters of the ends of the budget and the means available. It is important to note that CDF was introduced as a measure to remedy challenges encountered in the distribution of national resources. Various reforms have been put in place to improve the management of public organizations in Kenya in the past five years. The Kenyan government is pursuing a national development agenda that seeks to instill rapid and sustainable economic growth and reduce the high incidences of poverty through wealth and employment creation. This agenda is best articulated in the Economic Recovery for Wealth and Employment Creation (ERWEC). Under this programme, the government has put in place public financial management reform program which among its key elements, identified within the strategy include the strengthening of budget formulation, execution, accounting and reporting. Economic Stimulus Program (ESP) is also another enhancement of resource allocation at the grass root. Budgets should be prepared on a continuous regular basis to take into consideration the dynamic economic conditions.

1.1.3 Nairobi county

Nairobi County has eight constituencies with total registered voters of 1,305,945. These constituencies include Kamukunji with 136,435 registered voters, Starehe with 135,394 registered voters, Lang'ata with 162,843 registered voters, Makandara constituency with 122,809 voters, Dagoretti with 121,995 registered voters, Westlands with 140,839 registered voters, Kasarani with 192,987 registered voters and Embakasi with the highest voter registration of 292,643. This is according to (IIEC registered voters by 3rd August 2010). Each constituency runs and manages its own constituency fund in resources allocation. This is in accordance to the Constituency Development Fund Act of 2003). The researcher chose

on Nairobi county due to its large size. It is also a cosmopolitan with a large population and is easily accessible. The research conducted in this province will be a good representative of other Counties in Kenya as they would use the same budgeting guidelines provided in my research. Its accessibility and the centralization of many constituencies in one locality render it suitable for my research in terms of cost and time.

1.2 Statement of the problem

Every organization whether private or public needs a budget to plan and coordinate activities for the achievement of its short and long term objectives. Mwaniki, (2009) carried out a research on performance measurement of CDF committees in Nairobi with an objective of measuring the success of CDF committee performance. The study found out that the performance was poor. The poor performance could be attributed to, among other things, lack of budgeting for the funds for proper resource management and accountability. To achieve the objectives and goals set by the government in allocation of CDF resources proper budgeting practices for the resources should be put in place to aid in planning, coordinating and control of the resources. Mariara (2007), literates that the Kenyan government at independence in 1963 identified three vices hindering development as; poverty disease and ignorance. The action taken to address this problem was the development of a strategy known as sessional paper number 10 of 1965. This enabled the country to achieve a Gross Domestic Product (GDP) growth rate of 6.6% per annum. However, this was not sustainable as from 1974, the economy recorded a decline growth rate with the lowest being 0.3% in the year 2000. This was below the population growth rate according to the National Development Program. This in turn led to low investment, and subsequently increasing the level of poverty in the country.

Despite the government putting efforts to eliminate these vices, the levels of poverty persisted in households forcing the government to look for alternative ways to distribute its resources in order to reach the citizens at the grassroots. The (1971) commission of inquiry on public service structure known as the Ndegwa report of Republic of Kenya (ROK) noted that to achieve the objectives of development, the process of planning and implementation of projects should be done at the grassroots to enhance community participation and sustainability of the projects. The District Development Committee was also formed to spear head development activities at these levels. All these efforts have not however borne fruits even with the provision of guidelines on how to distribute the resources since their budgetary

practices have not been documented. According to a report by lobby group, National Tax Payers Association.

According to National tax Payers Association (NTA) 2010, tax payers lost about Sh. 445 million in the financial year 2006/2007 and 2007/2008. The NTV news bulleting on the 10th of September 2010 cited that CDF funds in Kieni constituency had been misappropriated to a tune of sh 500,000 by the area MP. This is a report by the NTA lobby group. As stipulated in the CDF Act 2003, the funds are at the discretion of the constituency member of parliament (MP) who is responsible for constituting the CDF committee and the project committee. This is done without consultations and therefore no transparency is exercised. Mostly it will be the (MP's) friends, relatives and supporters who will be constituted in the CDF and project committees creating an avenue for further misappropriation of the funds.

Little research has been carried out on the area of budgeting specifically on the CDF. No study has been carried out in Kenya to investigate the role of budgetary controls and practices in the management of Constituency Development Funds in Nairobi county. Most of the studies in this area of budgeting in Kenya tend to concentrate on the Public sector institutions; for instance, Omburemire, (2006) researched on a survey of budgeting practices in Secondary schools, he observed that most schools do not involve all stakeholders in the budgeting process and that the budgets do not motivate employees. Makoro, (1998) studied on budgetary controls in NGOs in Kenya. He found out that no budgetary controls were put in place and that not all stakeholders were involved in its preparation. Wamae, (2008) investigated on challenges of budgeting at the National Social Security Fund and found out that much needs to be done to instill budgetary controls in Public institutions. It is against this background that this study seeks to establish the budgetary controls and practices in the management of CDF in Nairobi Province.

1.3 Objectives of the study

The main objective of the study is to establish the budgetary practice in the management of CDF in Nairobi county

1.4 Significance of the study

The finding of this study shall assist in documenting budgets used to implement CDF projects and factors that influence the implementation of the projects. In addition, it will provide an

insight into the various approaches towards budgeting process and show how budgets could be used to ensure efficient and effective utilization of CDF resources at the constituency levels.

To the government;

The study is useful to the government in policy making regarding the CDF allocations. It will also assist the government to know that proper budgeting can enhance proper governance through formulation of clear policies for achievement of its long term and short term objectives.

To academicians;

It will assist them in providing a useful basis upon which further studies on budgeting for public funds can be conducted.

To investors

The findings of this study will turn around the performance of the CDF disbursement to profit making institution and this will attract both internal and external investors.

Policy makers

Policy makers require this information to enable them put in place clear and sound management policies that will enhance control of financial resources and mobilize managerial and financial autonomy aimed at having CDF programmes and projects operate on commercial principles to benefit the local community and other stakeholders.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter summarizes different information from other researchers who have carried out research on the same field of study. Areas covered are CDF budgeting process, challenges faced in CDF budget implementations, reforms in the budget process and the factors influencing budget implementation. Several authors have discussed the issue of budgeting both private and public domains. Such include; Premchand, (2004), Schick, (2002), Mulwa F,(2008), CDF guideline (2004), Ndegwa report of (ROK)(1971), Lucey, (1995), Hongren (1983) Drury, (2002).

2.1.1 Budgeting controls

Loise, (2006) defines a budget as a statement which indicates a coordinated plan of activities. The effects of all activities are expressed in monetary values so as to facilitate the development of an integrated plan. Budgeting process is an integral part of both planning and control. It is concerned with making plans for the future, their implementation and monitoring the activities to see if they conform with the budgeted plan. Trenting (2004), insist that the budget process and the budget goals of any institution strongly determine its performance. The CDF budget is used as an instrument to allocate public resources towards achieving some public value. One should understand and remember that the CDF should be aimed at benefiting the members of the society at grass root levels.

2.1.2 Advantages of Budgeting Control

Carter et al (1997) have established a number of advantages to budgeting and budgetary control. Budgeting compels the management to think about the future, which is probably the most important feature of a budgetary planning and control system. It forces the management to look ahead; set out details plans for achieving the targets for its activities and thereby gives it a purpose and direction. Budgets promote coordination and communication. They define the areas of responsibility and therefore take into account the centre managers for the achievement of budget targets in areas under their jurisdictions.

2.1.3 Theories/ approaches to of budgeting/ practices

Drury (2004) has outlined two broad approaches to budgeting as i) Traditional approach, 2) Modern approach. Under traditional approach, we have a) Incremental budgeting, b) Line item budgeting (c) Bottom up budgeting. Under modern approach, we have; 1) Zero based budgeting 2) Activity based budgeting 3) Planning programming budgeting system and 4) computerized budgeting; (5) Agile approach (6) middle of the road approach. Drury, (2004)

Traditional theories

2.1.4 A Traditional Approach to Budgeting and Scheduling

The traditional approach to budgeting and scheduling is to invest the time to develop what is considered to be an "accurate" budget and detailed schedule early in the lifecycle. To do this, a comprehensive definition of the requirements is typically produced during the initiation phase of the project, often simply called the requirements phase. Sometimes a detailed design document is developed, providing more information for the budgeting and scheduling process. "Smart" organizations will develop an initial budget and schedule early in the project, then refine it over time as more information becomes available. Not so smart organizations will assume that the initial budget and schedule are official, and actually hold the project team to them. This is particularly true of organizations which take a fixed bid approach to software development, a spectacularly questionable practice at best.

Traditional project teams take a (near) serial approach to development in which requirements are defined and documented early in the project, the requirements may or may not be reviewed and accepted by the project stakeholders, and then they're provided to developers who are expected to build a system based on those requirements. Scope creep, also known as requirements creep, is contained by requiring stakeholders to follow a change management process. Traditional change management processes typically involve one or more people, often referred to as a change control board (CCB), who acts as a gateway through which change requests one or more people, often potentially accepted. The goal is to minimize, if not prevent, scope creep so as to stay on budget and schedule. This approach sounds great, but in practice proves to work poorly. In Examining the Big Requirements Up Front (BRUF) Approach I describe Figure 1 in detail, which shows that when you take a traditional approach to requirement; elicitation and management that 45% of functionality delivered is never used and a further 19% is rarely used. In other words, a serial

approach to development results in nearly 2/3 wastage (and that's only considering the projects which actually deliver into production, so the actual figure is much worse).

2.1.5 Bottom-up budgeting practices

If a management practices bottom-up budgeting, they begin by identifying all of the different tasks and steps that are involved in a particular project. Then go through and write down all of the different resources and all of the money that will be needed for each step. Then, to determine the budget for the entire project, the funding needed for each step is added together. To come up with a budget for the level above individual projects, all of the projects are added together. All of the steps are added together higher and higher until you come up with a complete budget for either the entire project or the entire company. When lower level tasks are being determined, it is usually done by the normal method of cost estimation. If estimates are made in terms of materials or man hours, then they must be converted to cash. Costs negotiations will be required between those who are in charge of each task and the project manager, or the business owner.

Disadvantages of bottom-up budgeting practices

One of the primary disadvantages of bottom-up budgeting is that it can lead those who are in charge of tasks and also project managers to ask for more funding than will actually be needed. This is done in order to ensure that enough money is procured for each task to be accomplished, since most people assume that they will not be given all of the money that they request. This situation can lead to a waste of money and also a situation of distrust between various members of projects and different managers. Another drawback to bottom-up budgeting is that it is difficult to actually draw up a complete and thorough list of every step and task that will be necessary for the completion of a project. It is easy to overlook a step of a project or a task, a problem that will lead to major issues in the overall budget.

Advantages of bottom-up budgeting practices

One of the major advantages of bottom-up budgeting is that the budget can be quite accurate for individual tasks. As long as no tasks have been forgotten, then this can work quite well. Also, bottom-up budgeting involves all members of a particular project, which can be a benefit in terms of company morale and involvement.

2.1.6 Incremental Budgeting practice

This budgeting technique assumes that since life is incremental the same scenario can be applied and most budgeting measures can be done progressively. Thus the person preparing the budget can decide on what activities or funds should be subtracted or added. In this approach, the existing operations and the budgeted allowance for budgeted activities are taken as the starting point for preparing the next annual budget. The base is then adjusted to fit the expected changes during the new budget period (Incremental budgeting). Lucy T (2003) Literates that cost levels are frequently determined by what was spent the previous year plus a percentage for inflation. The major weakness for this approach is that any past mistakes and inefficiencies are transferred into the future and therefore not good for budgetary controls Lucey T, (2003)

2.1.7 Line item budgeting practice

Drury C, (2004) says that line budgeting shows the nature of spending and not the purpose. He notes that compliance with line item budgets provides no assurance that resources are used wisely and effectively in financing the various activities in a non profit making organization. Zimmerman literates that; line item budgets are budgets that authorizes the manager to only spend up to the specified amount of each line item. He further asserts that, line item budgets provide an extreme form of control in that managers cannot spend savings from one line item on another line item without prior approval and secondly ,the next year's line item is reduced by the amount of savings; Zimmerman J.L,(2006).

Modern practices/ approaches

2.1.8 Agile budgeting approach

This focuses on spending money wisely and working in a timely manner. Agile software development teams do this by accepting the fact that requirements change and therefore choose to adopt practices which allow to react accordingly to those changes. These practices include an agile approach to change management, to modeling, and documentation. However, to achieve this management must adopt new ways of budgeting and scheduling in parallel.

Because requirements change frequently a management needs a streamlined, flexible approach to requirements change management. Agilists want to develop software which is both high-quality and value, and the easiest way to develop high-value software is to implement the highest priority requirements first. Agilists strive to truly manage change, not to prevent it, enabling them to maximize stakeholder investment.

The team takes the highest priority requirements from the top of the stack which they believe they can implement within the current iteration. Each requirement is initially estimated when it is identified and put on the stack, but when it comes time to implement the requirement some model storming may occur to ensure that the estimate is accurate.

An agile approach to requirements enables one take an agile approach budgeting, these approach to budgeting is preferred because of the high level of control it provides business stakeholders. Stakeholders can control how their money is being spend because they can always reduce/remove funding to the project team. In other words, if one does not like what they are getting for their investment you simply reduce funding to the project, or stop funding it, on the other hand if they like what they are getting from the investment they can then increase funding to the project team, stakeholders have a complete control of how they invest their money enabling them to get the best value for the investment. Source; internet.

2.1.9 “Middle of the Road” Approach to Budgeting and Scheduling

With a middle of the road approach you do just enough requirements envisioning up front to identify the scope of the project and just enough architectural modelling to determine potential strategy to build the system. This modelling efforts provides just enough understanding to put together an initial budget and schedule together is to gather a small group of people who have relevant experience from similar projects in the past, and more importantly have a stake in the new project (e.g. they are on the team and accountable), and ask them to provide a good guess. Realistically at the begging of the project this guess should have a +a-30% range, some research suggests a 50% range, but unfortunately on average organizations ask for a +/- 11% initial estimate even though their actual come in at +/- 19% after considerable “funding of the numbers.” Source; internet.

2.1.10 Zero Based Budgeting (ZBB)

This form of budgeting was developed to overcome some of the criticism leveled at the ‘traditional’ budgeting where the tendency would be to increment the previous year’s budget for inflation and similar factors. It takes a cost / benefit analysis approach to budgeting. Each item of expenditure commences at zero and a manager must justify the expenditure based upon the benefits it is likely to derive. For instance the expenditure for the entire department or function may commence at zero and the activities of that part of the business be clearly evaluated to determine the benefits before expenditure may increase from zero to the desired

level. This reappraisal of all business activities along cost / benefit lines forces managers also to reappraise the contribution a department is making to a business. Since resources are minimal, ZBB allows them to be prioritized according to the greatest benefits derived. It is popularly used by non profit making organizations and government organizations where the output may be more difficult to quantify. It can be used in the manufacturing of industries in areas in service and support activities. This method approach is also used to allocate the CDF funds since they are politically instigated. Some of the steps in zero based budgeting are as follows; Managers specify 'decision units' or area of activity which can be individually evaluated, Decision units are elaborated on cost / benefit analysis evaluated and ranked, Ranking is done on cost / benefit analysis, Activities where the costs is greater than the benefit are excluded, Resources available are allocated according to rank priority Russelly David (2002).

Advantages of ZBB

Identifies and removes operations which are inefficient, avoids wasteful expenditure, requires thorough knowledge of the organization, decision packages once approved managers become committed to the success of the budget, results to fundamental appraisal of all activities, results to more equitable and efficient allocation of resources.

Disadvantages of ZBB

Emphasis on short term returns other than long term benefits, Costly benefit analysis may be problematic particularly with qualitative rather than quantitative data and it's a time consuming exercise.

2.1.11 Activity Based Budgeting (ABB) practice

Its also known as the activity based cost management and is based upon the principles established for activity based costing. Drury (2004) asserts that ABB aims to manage costs effectively by authorizing the supply of only those resources that are needed to perform activities required to meet the budgeted production and sales volume. Cost objects or activities that cause their drive (cost drivers) are the starting point. Their budgeted output determines the necessary activities which are then used to estimate the resources that are required for the budget period.

Steps in ABB

Estimate the production and sales volume by individual products and customers.

Estimate the demand for organizational activities. Determine the resources required to perform the organizational activities. Estimate for each resource the quantity that must be supplied to meet the demand and take action to adjust the capacity of resources to match the projected supply.

2.1.12 Planning Program and Budgeting Systems (PPBS)

This is mostly used by managers on non profit organizations to make informed decisions about allocation of resources to meet the objectives of the organizations. PPBS involves the following stages a) establishing the overall objectives, b) identifying the programmes to achieve these objectives and c) determining the cost and benefits of each programme so that budget allocations are made on the basis of cost benefits for the different programme. This model links programs and expenditures to a presumed cause and effect of money. Thomson et al, (2005).

2.1.13 Computerized budgeting practice

Computer based financial models consist of mathematical statements of inputs and outputs upon which “what if” analysis can be employed. This way, altering the mathematical statements, budgets can be quickly revised with little efforts. Source; Drury C, (1996)

2.2 Empirical studies

Hulpke, J. F et al (1976), carried out a research to look at budgeted and actual incomes and expenditure figures for a number of public institutions (Schools) in San Francisco. A sample of 24 suburban school district was chosen. The figures for ten separate years, 1964-1965 through 1973-1974 were used for each school. The hypothesis to be tested were;- School districts tend to undermine their revenues as they actually receive more income than they project in their budgets. School districts tend to over estimate their expenditures as they actually spend less than they project in their budgets. The findings were that, at 1%significance level of significance or 99% level of confidence school districts do in fact under estimate their revenues. Secondly, at 2 ½ level of significance or 97.5% confidence level, the selected school districts do overestimate their expenditures. It was further established that school districts under-estimate and over-estimate their operating expenses with equal frequencies. The capital expenditure were also found to be under-estimated.

Berke, J. S (1971/2) in his research on the current crisis in school finance, inadequacy and inequity in United States, noted that even if the elite groups of voters and politicians succeeded in raising more money for the schools , a crisis still exist. Burke observes that United States is faced by a double dilemma; first a failure to raise adequate revenue through equitable means, and secondly is inability to allocate revenues in an effective and equitable manner. From his research, public education is supported by three levels of government – local education agencies with the largest contribution, states providing 41% of the total and national government providing 7%. This has however changed over the decades.

Oburemire T.A (2006) researched on a survey of budgeting practices in secondary schools. In his study, he established that most schools lacked a standardized and clearly defined system of determining the budget, the principals believed that the heads of departments made unreasonable requests and their input into the budget document was not necessary. The principals further consulted their schools Board of Governors as a formality to have their estimates approved.

The same sediments were shared by a researcher, Kamau W. K (1990) who investigated on financial management practices in Kenyan Secondary schools. He found out that most secondary schools in Kenya lacked clear budgetary practices and had no control over their financial resources. Wamae M. K investigated on challenges of budgeting at the National Social Security Fund (NSSF). He established that the top management was in charge of the budgeting process and that the employees were not involved in budgeting. This in turn demotivated them in achieving the objectives set by the top management leading to poor performance.

2.2.1 Budgetary Appraisal

Budgeting provides a basis of performance appraisal (variance analysis). A budget is a yardstick against which actual performance is measured and assessed. Control is provided by comparisons of actual results against budget targets. Variances from the budgets can be established and the reasons for the variances can be divided into controllable and non controllable factor. Action then can be taken for the variances to ensure the organization gets back on course.

The process of preparing a meaningful budget often involves asking a number of questions; these start with plans and goals. Different people need to use the budget for different purposes and therefore should be able to understand it without any additional explanation. The budget should be clear and accurate and easily understood. It is crucial to keep notes on all budgeting assumptions and how calculations have been made. Schwarz, (1987). As seen earlier, the budget serves as a financial plan that operates as a statement of revenue, expenses and cash flows. Therefore they look forward as a plan and look backward as a monitor. With budget goals an organization can check and verify expenditures that are appropriate. An effective budget process includes some several essential features as follows; budget long term perspective, budget links to broad organizational goals, budget decisions on results and outcomes, effective communication with stake holders and team approach basis, Schwarz, (1987)

Initially in the public sector budgeting could be done to prevent theft misuse of funds. This is facilitated by the fact that effective monitoring of expenditures lessens the responsibilities of embezzlements. Controlled expenditure assumes that spending must agree with appropriation. So every authorizing agent must be held accountable for the spending and appropriations. This can be achieved through the audit trail by public auditors to the CDF appropriations. CDF managers should be able to track the flow of resources accurately throughout the year and not just at the end of the budgeted period. The purpose of the CDF is basically to reduce economic, social and physical suffering and the enhancement of life opportunities for the members of the society. It is then understood that the purpose of the CDF is to serve the society through social development. This however is influenced and limited by the financial allocations and support of its activities. Thus the budget process and the budget goals of CDF funds strongly determine its performance. The CDF budget should satisfy requirements such as unity requirements which means that all resources and expenditures of the public organization must be stated in a single document. This principle gives fiscal authorities a thorough view of all public financial matters. Universality requirement is another requirement for CDF budgets. Universality indicates that all revenues are properly accounted for without any compensating against spending items. This principle prohibits the CDF Budget Committee from increasing their resources beyond their budget appropriations in any way other than those provided for by law .Solidarity and transparency are other requirements. Solidarity suggests that all revenues should serve to fund all expenditures. This principle avoids “ear-marking” by which parts of the budget are seized or

kept back for special interests. Finally transparency indicates that the budget should be free from falsification and fraud. This principle requires that the budget document be a public document. Budgeting for CDF funds is an indispensable and relevant aspect for its proper functioning and performance in its responsibilities. It should then be seen that proper budget objectives and procedure does not only serve as a financial strategy but also a financial safeguard, CDF act (2003). In a nutshell budgeting according to Welsch et al (2001), is the only comprehensive approach to management so far developed which, if utilized with sophisticated and good judgment, fully recognizes the dominant role of the manager and provides a framework for implementing such fundamental aspect of scientific management as Management By Objectives (MBO) effective communication, participative management dynamic control, continuous feedback, responsibility accounting, management by exception and managerial flexibility.

2.2.2 Negotiating the budgets

There is need for CDF budget to be negotiated between the various stakeholders in the constituency. A budget should be negotiated at each stage so that the figures included are as a result of bargaining process between the monitors and implementers. If some of the stakeholders are left out they will not be motivated to achieve a budget which they were not part of and therefore their argument for inclusion of budget terms should be considered. Russelly (2002) asserts that the preparation of budgets is not something to be done by accountants only but requires the participation of many managers and other personnel to ensure that the plans for the forthcoming period are translated into a realistic and feasible financial plan, which all employees will strive to achieve. From a behavioral point of view, an optimum budget is one which ensures that the goals of the staff coincide with the goals of the organization goal congruence. It is therefore not motivating to impose budgets on staff but to allow them to participate in the process of establishing targets. This is likely to increase motivation and encouragement staff to work to achieve budgeted aims.

2.2.3 Behavioral impact of budgets on people

According to Welsch et al (2001) managers often assume that budgets can be used as a tool to exert pressure to increase productivity yet they do not realize the effect on their behaviour. One of the consequences of budgets is that employees may not strive to exceed budgeted performance in order to lessen the likelihood that the budgeted performance level will

ultimately be set even higher. Employees may also form informal groups, since they feel such pressure can be partially relieved by discussing it with others. Such groups bring

grievances to management. Another reaction to budgetary pressures include managers putting the blame on others when targets are not met. It may also bring about a feeling of failure in meeting budget targets, which often results in loss of interest in work, lower personal standards for achievements, loss of confidence and development of a critical attitude towards others, Welsch et al,(2001)

2.2.4 The Organizational Budget Frame Work

According to Russelly David (2002) a budget for any organization must operate within the organizational frame work. If it has to succeed from a planning and control point of view, it must overlay the organizational structure to ensure that responsibility and authority can be assigned to individual managers for achieving specific functional budgets. Individual managers may then delegate specific parts of their budgets to subordinate and only intervene if that part of the budget is not proceeding according to plan (i.e. manage the budget by exception). A budget should be prepared for a particular period of time identified at the outset. This is referred to as the budget period. It should be prepared from a long range forecast or strategic plan for instance a 5 year strategic plan. This however contain very little details but would contain the overall objectives of the organization. This long plan would then be broken down into shorter periods of time typically one year or further sub divided into month in which it would be referred to as a continuous or rolling budget, Russelly D,(2002)

2.2.5 Integrated Budgets

Each part of business department should not prepare its budgets in isolation but should make reference to the overall master budget. All departments should coordinate and work as a team to achieve the desired overall objectives. Again integrated budgets ensures that individual departments activities are properly coordinated and that the organization will have sufficient funds available to meet its obligations as they fall due. If the organization is complex and with various branches and activities it becomes difficult to coordinate the budgets but this is solved by appointment of a budget committee to oversee the entire process. The budget committee culminates all the activities and comes with a performance

statement (master budget) which reconciles the overall budgeted position with the individual functional budgets, Russelly David, (2002)

2.2.6 Budget Committee

Where the organization is complex and involves many activities and departments e.g. the CDF, a budget committee is appointed. This is a high level steering committee that would perform the following: Evaluate budgets produced to ensure that the organizations long term objectives will be achieved, establish the roles and responsibilities of all participants in the process, establish the titles responsibility and authority of all budget holders, confirm what budgets will be produced and in what order, develop a timetable for budget preparation, ensure that employees participate in the process and communicate the final data to the personnel.

2.2.7 Estimating Costs

It is very important to be able to justify ones calculations while estimating costs. You have to examine the previous budget with caution as it may contain errors and historical inaccuracies. You should not base your current budget strictly on your previous budget even though you can check whether all the previous costs were justified. One may tend to take the previous budget and add a certain percentage on top for inflation; this may prove to be misleading. Lucey t, (1995)

2.2.8 Forgotten Costs

Most projects fail on the basis of under costed budget. This mostly occurs in the public sector budgeting or where organization expect to receive donor funding with the fear that they may not receive adequate funding. The most common of the forgotten costs are the indirect or non-project costs. These include: staff related costs, (recruitment costs, training costs, benefits and statutory payments start up costs, vehicle rung costs, equipment maintenance, governance costs, Board meetings and audit fee. Lucey T, (1995)

The CDF committees must prepare forecast of financial receipts and payments before hand in order to facilitate prompt release of funds for the actualization of their activities and programmes. Release of funds by Ministry of Finance is an instrument that is very crucial to the budget implementation process. When planned and effected properly, it can facilitate the implementation tasks of spending agencies while the negative use of the same process may

hamper the activities of the agencies. Cost increases should also be considered in budget implementation Cohen, (2004). The fund committee can create a reserve contingency fund to cater for the increases. Budget implementation can also be adversely affected by excess expenditure Premchand, (2004). This may arise due to poor management or due to cost increase. Excess expenditure cause instability in the resource allocation process and are discouraged by many governments some even providing legislative restrictions. Schick, (1999) observed that a country can have a sound budget and financial system and still fail to achieve its intended targets. This is because the rule of the game by which the budget is formulated and implemented are equally important and do influence outcomes. Budget rationalization which should be carried out when faced with resource constraints is totally lacking in public institutions and often they do not focus their expenditures on critical activities on the development and recurrent budgets thus resulting in allocation of funds to areas that are not in line with national priorities. Report on the government projects review committee (1993).

2.3 Reforms in the budgetary process

The report and recommendations of the working party on government expenditure (1982) identified major flows in the budgeting process amongst other issues and recommended the introduction of certain reforms to the process. It recommended that to improve on budgeting especially the development budget no project should be considered for inclusion in the forward budget without a detailed schedule of implementation covering all its components. The government recognized the limitations of the budgetary process and sought to prioritize expenditures and in a reaction to the concerns, raised by the working party report and introduced the Budget Rationalization Program (BRP) in 1986. This sought to rationalize the pattern of allocation of budgetary resources in order to bridge the gap between sectional requirement and resource allocation, Loise, (2006)

2.3.1 Budgeting and uncertainty

Budgeting relates to the future. The future is however very uncertain and may not be able to be predicted with accuracy. It must be borne in mind that certain costs within a business may be more volatile and more prone to fluctuations, and this must be acknowledged in the process. As a consequence, it may be necessary to amend or revise a budget later when more certain information becomes available. There are various available techniques to deal with

uncertainty in predicting the future. Rolling budgets; are continuous budgets and a cost preferred (monthly or 2 – 3 month budgets).

2.4 Planning and budgeting process

The various divisions / departments in an organization help the organization to achieve its objectives and goals. Without planning an organization would be like a ‘black box’. There would be no knowledge of what is happening inside it. Planning provides better management of resources and helps identify potential financial resource problems in the form of expected deficit. Deficit may arise due to inefficient allocation of resources, an unsustainable scale of activities or inadequate funding. This may lead to unplanned requests; unanticipated deficits, arbitrary approvals and cuts which may import negatively on ongoing projects and service delivery, Loise, (2006)

2.4.1The Budgeting Process

According to Loise , (2006) the budget process takes three stages, namely; Budget planning and formulation, ii) Budget approval, execution and monitoring. Once the budget has been approved, the people involved in preparing the budget should be motivated to work towards the achievement of the organizational goals. For successful implementation of the budget, these conditions must be met and include;

- 1) A statement of goals and objectives, creating budget centres, developing accounting controls, communication and finally is coordination and budget administration.

2.4.2 Statement of Goals and Objectives

All resources have an economic cost and are also scarce. A statement of goals and objectives provides direction and motivates individuals and groups in concentrating their efforts towards a common goal. It is of great sense that short term goals are realistic and should put into account administrative and support variables. If changes occur in these variables then this should be incorporated in the plans and budgets. Loise,(2006).

2.4.3 Creation of Budget Centers

Budgets are prepared to ensure that goals are achieved in a coordinated and efficient manner. To accomplish this, the CDF Committee has to create a sound structure by defining in clear terms the authority and responsibility of each project manager. The performance of each manager is evaluated in terms of assigned authority and responsibility. The committee

should define a budget centre and assign the suitable manager for the centre. Respective managers should be asked to submit a budget for their planned activities during the coming year. While creating such responsibility, each budget centre could be treated as a cost centre. The essence of creating cost centers is to control the activities charged with specific CDF projects. Each project manager should be responsible for costs or expenses incurred by his / her department. Performance can finally be evaluated by comparing actual costs with budgeted costs, a technique called variance analysis, Loise, (2006)

2.4.4 Accounting Controls

Transactions are recorded for the purpose of preparing financial statements and simultaneously producing significant information for planning and control. The controls ensure that transactions are implemented only by those authorized to do so by management. Records are maintained and a physical examination and count of the resources disbursed and access of resources is through document management authority. The effectiveness of a budgetary control system depends on timely availability and supply of information and good accounting controls ensure this availability. Development of accounting controls revolve closely around creating responsibility accounting centers. Loise, (2006).

2.4.5 Communication

For the project to succeed, the top management should emphasize the need of understanding the system and overall knowledge of goals and objectives by the discharging groups in implementing the budget. The CDF committee should take care in creation of a good atmosphere which leads to a flow of correct and relevant information. However correct follow up will ensure that there is effective implementation of the budget, Loise, (2004)

2.4.6 Coordination

The development of a budgetary control system requires coordinated efforts from different departments and at various levels. To ensure staff involvement and participation, all efforts need coordination. The CDF committee should ensure that all people at all levels of management are actively involved in budgeting process to ensure that the staff feel committed, motivated and encouraged to work towards the common goals and objectives Loise, (2004)

2.5 Budget Control

2.5.1 Amending the Budget

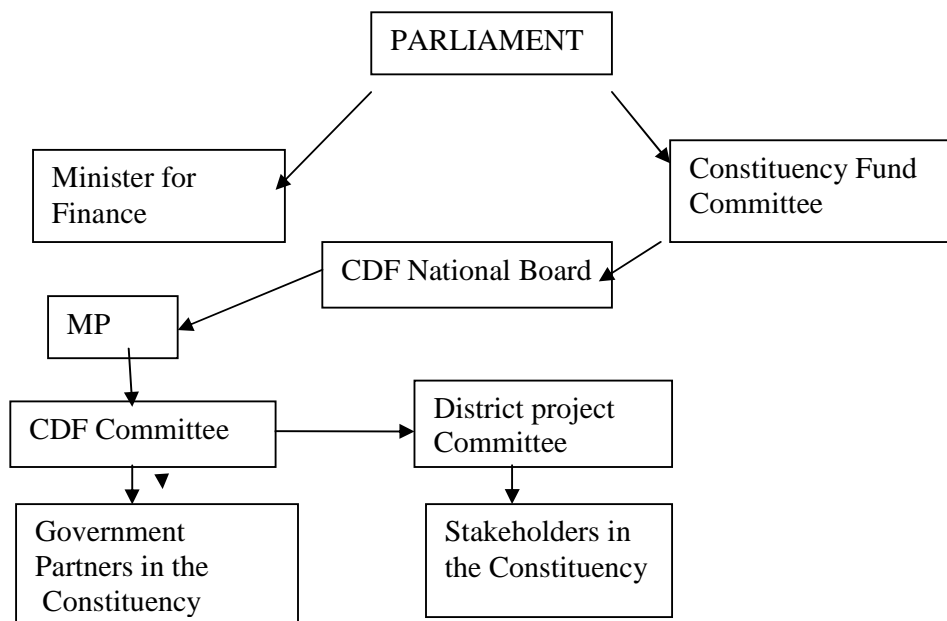
This is done for major shortfalls or increased expenditures so as to prevent cash shortages and protect the ability to pay bills and employees. The committee should continuously review their original budget over the course of the year to increase the usefulness of the budgetary comparison. This facilitates accountability to those who participated in the original budget preparation.

2.6 Constituency Development Fund (CDF) in Kenya

(CDF) has its origin in Rwanda where it was borrowed by Uganda, then finally to Kenya. The Kenyan CDF history can be traced to 2003 when the NARC Government came to power. It created the CDF to all its 210 constituencies and allocated 2.5 % of its National revenue as devolved funds. The CDF was a system proposed on resource distribution but has created powerful bureaucracies in CDF project administration. In the proposed draft, Kenya is to be divided into 47 counties based on the Districts created in 1992. The counties will be allocated a 15% of the National revenue. Source CDF magazine 2006.

The CDF Management structure

The CDF Act 2003 gives the following CDF Management structure.



Source CDF act 2003.

2.6.1 The Constituency Development Board and its Functions

The CDF Act allows for establishment of a board known as Constituency Development Fund Board (CDFB) as a corporate body with perpetual succession and a common seal and shall in its corporate name perform the following functions; sue and be sued, purchase or otherwise acquire, hold, dispose movable and immovable property; borrow money or make investments and perform all other things for proper performance of its functions. Source CDF act 2003.

2.6.2 CDF National Board of Management

According to the CDF Act (2003) this board comprise (32) members consisting of ; The permanent secretary Ministry of Planning, the permanent secretary Ministry of Finance, the clerk of the National assembly, the Attorney General, eight persons qualified in matters relating to Finance, accounting, engineering, economics, community development or law, the chief executive officer as an ex- officio member and secretary to the board; the Minister then shall appoint a chair person of the board from amongst the eight persons appointed; four nominees, two of who shall be men.

The (32) members appointment shall take into account regional balance of the people of Kenya. The person appointed as the chief executive officer should be submitted to Parliament for approval before the appointments are done. Source CDF act 2003

2.6.3 Constituency Development Fund Committee (CDFC)

This committee comprise of fifteen (15) members for every Constituency as provided in the CDF Act 2003.It shall be constituted by the constituent Member of Parliament within 60 days after being elected in office. It shall consist of; the elected member of parliament, two councilors, in the constituency, one District officer in the constituency, two persons representing religious organizations in the constituency, two men and two women representatives of the constituents, one person representing the youth, one person representing the NGOs in the area and a maximum of other three members from the constituency .Source; CDF act 2003

2.7 Summary of literature review

Budgeting is a pre-condition to accountability and proper institutional management. The CDF committee should be accountable to its beneficiaries (all the stakeholders) through amongst other factors budgeting. From the above literature review, budgeting is established as one of

the bottlenecks of better financial management. Most of the studies done in this area of budgeting try to assess the level of participation and involvement of all stakeholders in the budgeting process which is key to success in any organization ie Oburemire T.A (2006), Kamau W.K (1990) Wamae M .K, but still there is a need for further study to address the issue of budgetary practices in public institutions and especially the CDF resource allocations for the benefit of the Kenyan people. The members of parliament through the CDF Committees are in charge of allocating the CDF resources to various activities that add value to the lives of its local citizens through proper budgetary controls which lacks in most public institutions.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This section sets out the steps adopted in studying the research problem. It discusses the study area, research design, target population, research instruments, data collection procedure and data analysis procedures.

3.2 Research Design

The research design adopted for the purpose of this study was descriptive research approach aimed at establishing how budgeting can enhance proper management of CDF resources for effective allocation to the various projects. According to Donald and Pamela (1998) a descriptive study is concerned with finding out the what, where and how of a phenomenon....Kothari (2003) says that descriptive study is concerned with describing the characteristics of a particular group or individuals. According to Schinler, and Coopers (2004) descriptive studies are more formalized and typically structured with clearly stated hypothesis or investigative questions. The disadvantages of the descriptive design is that since the setting is completely natural, with all variables present, cannot identify cause, lower response rate and need to design questions for self administration; most respondents don't take time to respond to open – ended questions and good questionnaires provide a script for the researcher to follow throughout interviewing process.

3.3 Target Population Sample

This is a case study of the constituency development Funds. The population of interest of this study was Nairobi county CDF committee members and other senior management officials such as project managers in the eight constituencies comprising of 136 respondents. Each constituency was represented by a sample size of twelve respondents making a total of 96 respondents equivalent to 71% of the total population. This will be a good number to represent the population since all CDFs in Kenya operate on a similar guidelines and not everyone in the population can be considered. Simple random sampling was done to come up with a population sample from the list of CDF committee members and other senior management from the constituency. Kombo and Tromp (2008) explain that it is not possible to study the whole population to arrive at a generalization. This justifies the need to have a sample. A sample is a small portion of the population for observation and analysis.

Purposive sampling was used as the research targeted a group of people believed to be reliable for the study. This method can be used in both quantitative and qualitative studies. The selected sample was large enough to serve as adequate representation of the population which the researcher generalized.

According to Mugenda et al, a sample unit may be geographical such as a state, district or a village. The researcher can choose one or all of the units for the study. The CDF magazine edition of 2006 lists the total number of constituencies which received funding as 210. These constituencies operate under similar CDF Act of 2003 And CDF guidelines of 2004. The nature of operations is similar in all the constituencies however the population and levels of poverty is not the same

3.4 Research Instruments

The research instruments included questionnaires; Questionnaires were used to collect data. A large number of people were administered simultaneously and provided the investigation with an easy accumulation of data.

3.5 Data Collection Procedure

The researcher was to get authority from the University of Nairobi and the CDF Head Office to carry out the study. The CDF committee and other CDF senior managers were given the questionnaires to provide the necessary information for the purpose of data collection. The information received would be held in confidence. The respondents were allowed time to answer the questionnaires which were collected after sometime. The questionnaire contained both open and closed ended questions. The closed-ended questions provide more structured responses to facilitate tangible recommendations. The open-ended questions provide additional information that may not have been captured in the closed-ended questions. A five likert scale was used for the closed ended questions. Here each response was given a numerical score to refer. This scale was used to determine the budgetary practices used in allocation of CDF resources in the management of the funds. The number indicates the value to be assigned to each possible answer with the most favorable scoring one (1) and the least favorable scoring five (5). According to Mugenda et al (1999) the likert scale can be used to rate or rank the subjective and intangible components in research. The numerical scale helped to minimize the subjectivity and made it possible to use quantitative analysis. It also helped

the researcher to compare one persons score with distribution of scores from a well defined sample group. The results were presented in tables, frequencies, proportions and percentages.

3.6 Data Analysis

After collecting the data, the researcher processed the raw data using the SPSS version 17 computer package where data on various aspects of budgeting considered under the study were analyzed using factor analysis. Descriptive statistics was used to facilitate meaningful description of measurement concerning the study objectives. The descriptive tables involved a number of respondents in each element or factor. According to Coopers et al, (1995) descriptive statistics describe the parameters of the population better because they express the views and feelings of the respondents in greater details and hence give greater effect on the likert scale element.

3.7 Validity and Reliability of the Instrument

For the purpose of identifying any item of the questionnaire which is ambiguous or unclear to the respondents, the questionnaires were piloted in a few randomly selected institutions and projects that did not participate in the final study. The pilot study familiarized the researcher with the administration of the instruments.

CHAPTER FOUR

4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents the analysis of the data and its interpretation.

4.1 Data collected and analyzed

Data was collected from all the 8 constituencies in Nairobi County. All the constituencies were represented and of the 96 initial respondents targeted in the 8 constituencies only 60 respondents' responded representing 62.5% response rate. This was adequate to form a base for valid conclusions regarding the budgetary practices adopted by the CDFs in Nairobi County and in Kenya in general. All the information was given by the CDF committee members and project managers.

4.2 CDF allocation and management for all constituencies in Nairobi County

Table 1: Analysis for Kamukunji fund allocation for the 2003 – 2008

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Total annual allocation for your constituency	6,000,000	21,656,627	28,008,210	38,800,223	39,039,874
Number of projects funded each year in your constituency	16	14	21	21	23
Number of projects completed each year in your constituency	14	13	21	21	22
Number of incomplete projects each year in your constituency	2	1	0	0	1

The above table which is also represented by the above bar graph represents the disbursement of CDF resources by the government since 2003 – 2008 in Kamukunji constituency. The figures showed the allocations kept on increasing from Kshs. 6,000,000 to Kshs. 39,039,874 in year 2008. It also shows that out of the 95 projects funded only 3 were incomplete. This is a clear indication that the resources were properly utilized.

Figure 1: Analysis for Kamukunji fund allocation for the 2003 – 2008

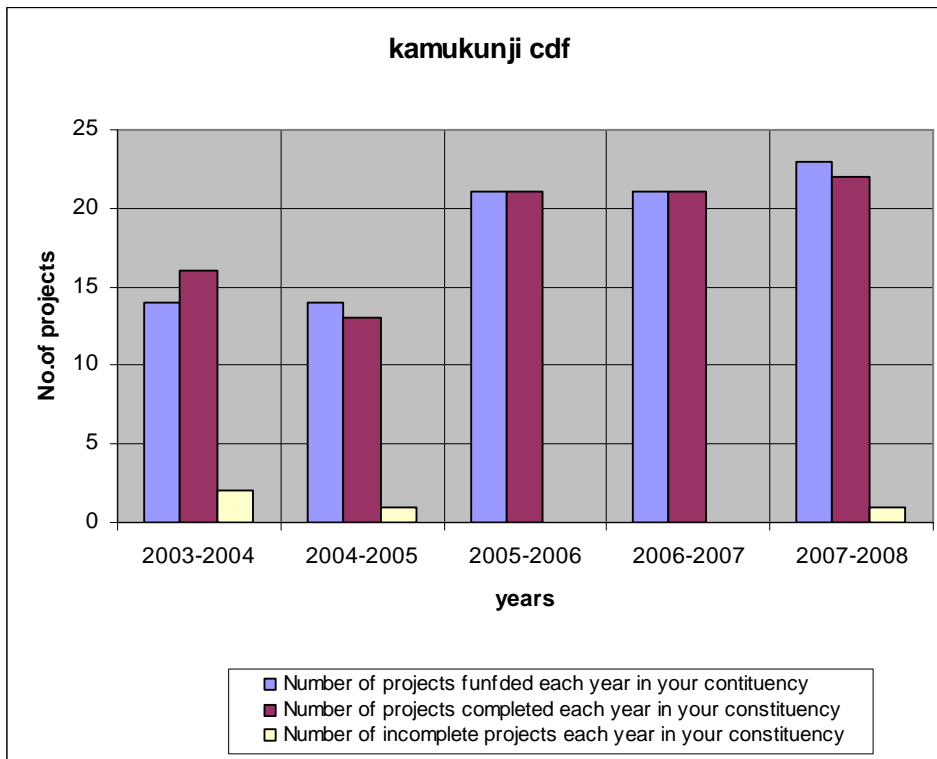


Figure 1 shows that the CDF money allocated by parliament to Kamukunji kept on increasing every year from 2003 – 2008.

Table2: Analysis for Dagoretti fund allocation for the 2003 – 2008

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Total annual allocation for your constituency	6,000,000	22,134,509	28,638,313	39,659,491	39,901,431
Number of projects funded each year in your constituency	6	15	18	11	14
Number of projects completed each year in your constituency	6	12	13	10	14
Number of incomplete projects each year in your constituency	0	3	5	1	0

Table 2 shows that out of the 64 projects funded in Dagoretti since 2003 – 2008 only Nine (9) were incomplete. This shows that CDF resources were well utilized.

Figure 2: Analysis for Dagoretti Fund Allocation for the year 2003 - 2008

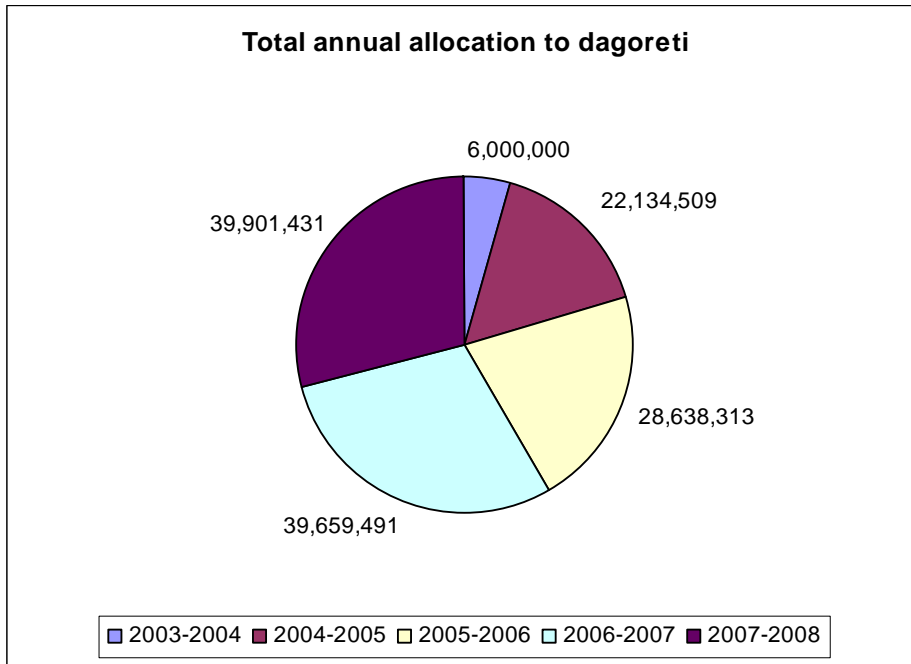


Figure two shows that the number of funds disbursed to Dagoretti constituency kept on increasing every year.

Table 3: Westland for CDF allocation for the year 2003 - 2008

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Total annual allocation for your constituency	6,000,000	21,079,433		37,766,009	37,999,272
Number of projects funded each year in your constituency	14	20	26	26	18
Number of projects completed each year in your constituency	14	18	24	25	18
Number of incomplete projects each year in your constituency	0	2	2	1	0

Table 3 shows that out of the 104 projects funded, from 2003, only five were incomplete by the end of 2008. This is clear that the CDF was well utilised.

Figure 3: Analysis for Westland CDF allocation for the year 2003 – 2008

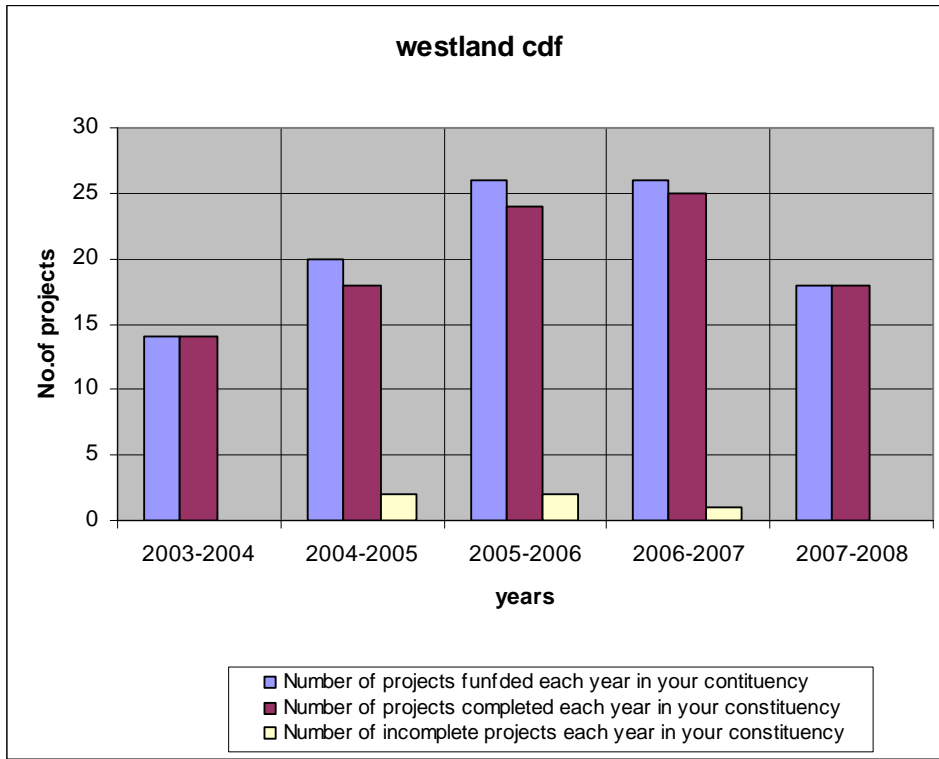


Figure 3 shows that the total annual allocation for CDF funds for Westlands kept on increasing every year, however figures for 2005 – 2006 were not provided for.

Table 4: Analysis for Starehe CDF allocation for the year 2003 – 2008

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Total annual allocation for your constituency	6,000,000	21,802,619	28,197,039	3,906,181	39,303,077
Number of projects funded each year in your constituency	9	13	18	14	32
Number of projects completed each year in your constituency	9	10	17	14	30
Number of incomplete projects each year in your constituency	0	3	1	0	2

Table 4 indicates that out of the 86 projects funded since 2003 – 2008, 86 were complete with only six remaining incomplete. It is clear that the CDF was well utilized.

Figure 4: Analysis for Starehe CDF allocation for the year 2003 – 2008

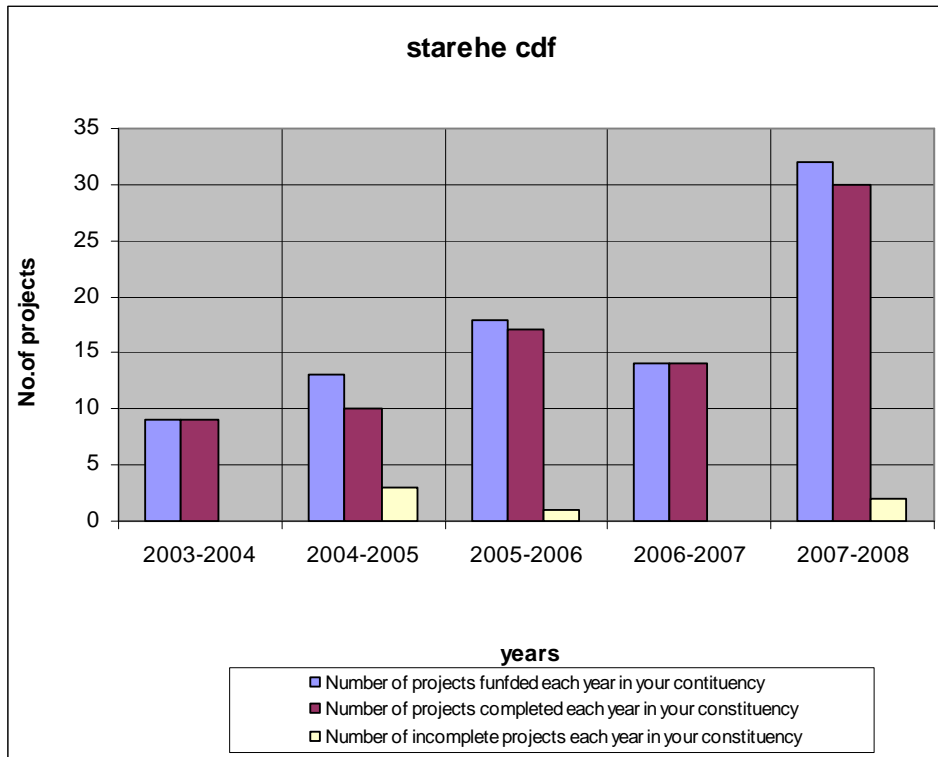


Figure 4 shows that the total annual CDF disbursement for Starehe constituency kept on increasing every year which means that more projects were installed.

Table 5: Analysis for Makadara CDF allocation for 2003 - 2008

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Total annual allocation for your constituency	6,000,000	22,227,574	28,746,684	39,832,243	40,069,212
Number of projects funded each year in your constituency	7	11	10	12	41
Number of projects completed each year in your constituency	7	10	8	8	40
Number of incomplete projects each year in your constituency	0	1	2	4	1

Table 5 shows that out of the 81 projects funded in Makadara 2003 – 2008, 73 projects were completed and only six remained incomplete. This meant that the CDF in the constituency was well managed.

Figure 5: Analysis for Makadara CDF allocation for the year 2003 – 2008

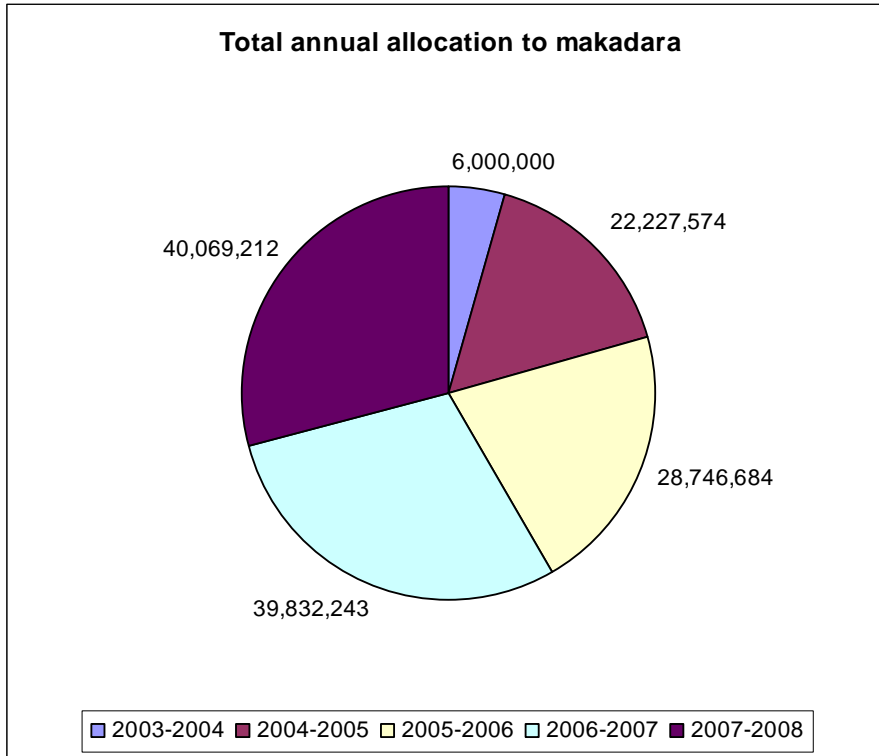


Figure 5 shows that the annual allocation for Makadara kept on increasing from year 2003 – 2008 meaning that more projects could be installed.

Table 6: Analysis for Lang’ata CDF allocation for the year 2003 - 2008

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Total annual allocation for your constituency	6,000,000	22,218,788	28,735,319	39,807,498	40,053,371
Number of projects funded each year in your constituency	13	11	11	31	32
Number of projects completed each year in your constituency	13	11	10	28	30
Number of incomplete projects each year in your constituency	0	0	1	3	2

Table 6 indicates that out of the 98 projects funded in Lang’ata from year 2003 – 2008, 92 were completed and only 6 were remaining. It shows that the management of the CDF here was well utilized.

Figure 6: Analysis for Lang’ata CDF allocation for the year 2003 – 2008

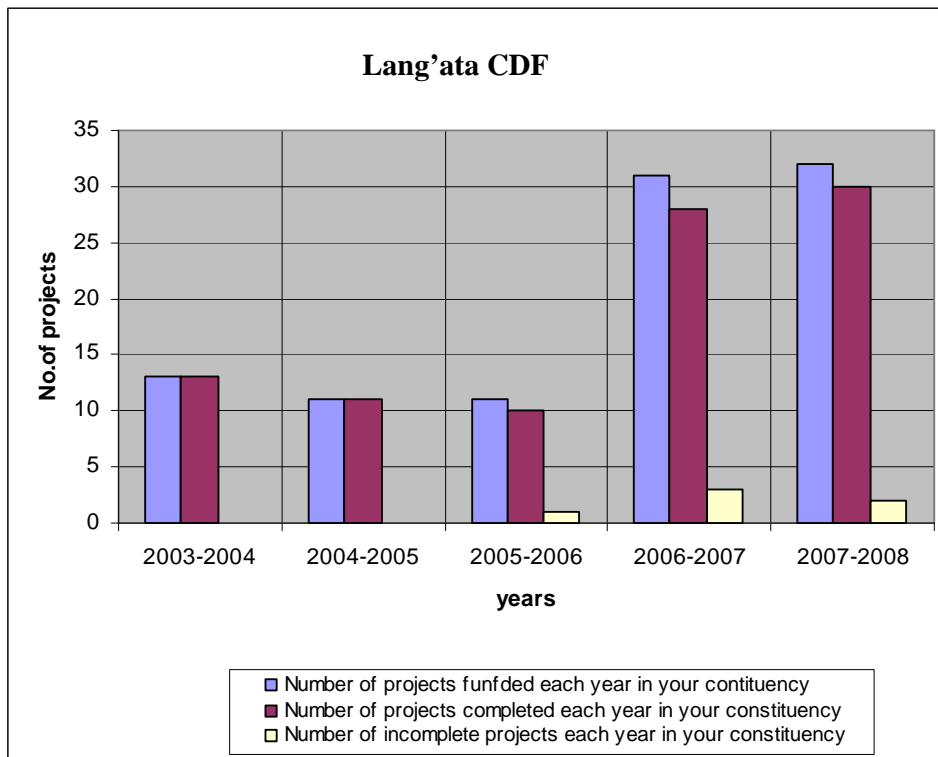


Figure 6 shows that the annual allocation for Lang’ata constituency kept on increasing an indication that more projects could be installed.

Table 7: Analysis for Embakasi CDF allocation for the year 2003 - 2008

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Total annual allocation for your constituency	6,000,000	23,545,780	30,451,677	42,185,197	42,445,755
Number of projects funded each year in your constituency	7	7	27	32	30
Number of projects completed each year in your constituency	7	5	15	30	30
Number of incomplete projects each year in your constituency	0	2	12	2	0

Table 7 shows that out of the 103 projects funded 88 of them were completed. Fifteen projects remained incomplete. This indicates that a lot need to be done in terms of CDF management in this

Figure 7: Analysis for Embakasi CDF allocation for the year 2003 – 2008

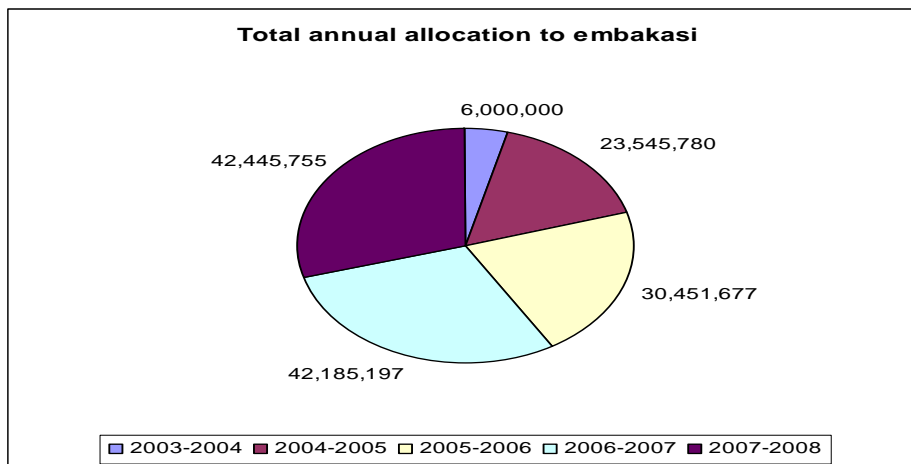


Figure 7 shows that the total annual allocation for CDF allocation funds for Embakasi constituency kept on increasing meaning that more projects could be installed.

Table 8: Analysis for Kasarani CDF allocation for the year 2003 - 2008

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Total annual allocation for your constituency	6,000,000	23,202,173	30,007,249	43,269,623	41,826,279
Number of projects funded each year in your constituency	9	16	19	19	35
Number of projects completed each year in your constituency	8	15	18	19	33
Number of incomplete projects each year in your constituency	1	1	1	0	2

From the above table, this indicates that out of 98 projects funded 93 were completed and five were incomplete. This means that the CDF was properly utilized.

Figure 8: Analysis for Kasarani CDF allocation for the year 2003 – 2008

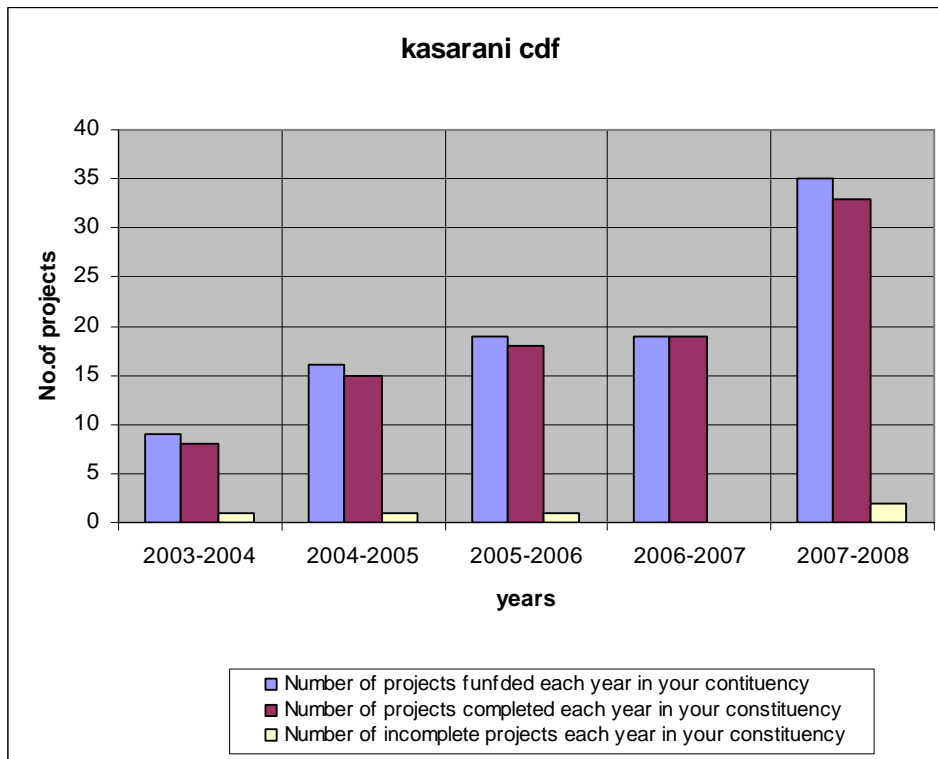


Figure 8 shows that CDF funds for Kasarani kept on increasing every year since 2003 – 2008, therefore more projects would be installed.

Summary

The CDF allocation for 2003 – 2004 was similar but for the rest of the years up to 2008 varied. This was because the disbursement of CDF fund was based on the population and also the poverty index in each constituency. When asked if the CDF was well managed 86% said it was averagely managed while 3% said it was below average and 5% felt that I was well managed. This indicates that there is no satisfaction on how the CDF is managed and therefore proper budgeting is necessary to enhance CDF management. On the issue of whether the constituencies have budgetary committees 63% said they do not have and budgeting was solely done by accountants while 31% said they did have budget committees. In conclusion we can say that most of the constituencies do not have budget committees and that the people involved in the budget preparation were accountants, however all the constituencies said they do prepare budgets. On The budgetary period, 71% said their budget runs for 1year, 21% said less than 1 year while the rest did not respond.

Table 9: Analysis for CDF Management

		Respondents frequency	Percent
Valid	0	2	3.3%
	average	52	86.7%
	below average	2	3.3%
	well	3	5.0%
	Total	59	98.3%
Missing	System	1	1.7%
Total		60	100.0%

Table 9 shows that 52 respondents out 60 (86.7%) felt that CDF was averagely managed. This indicates that there is no total satisfaction on how CDF was managed. This necessitates improvement in its allocation which can be enhanced through proper budgetary practices.

4.3 Analysis for Budgetary practices and approaches for the CDF allocation

Statistics

Table 10: Analysis for Budget practise cdf?

		Respondents Frequency	Percent
Valid	Activity based	58	96.7%
	Zero based	1	1.7%
	Total	59	98.3%
Missing	System	1	1.7%
Total		60	100.0%

On the budgetary practices for the CDF allocations 96% said they use activity based budgeting while 1.7% said they use Zero budgeting. Majority said that the activity based budgeting was necessitated by the fact that CDF funds are released by the CDF board on the basis of the activities of each project. When asked whether they experience surplus or deficit, 73% said they experience deficits while 25% did not respond. The respondents were asked to give reasons as to why the deficits were experience on the basis of the factors given below; they responded as per the table below.

Table 11: Analysis for Surplus/deficit?

		Respondents Frequency	Percent
Valid	0	15	25.0%
	deficit	44	73.3%
	Total	59	98.3%
Missing	System	1	1.7%
Total		60	100.0%

From table 11 the respondents were asked to give reasons as to why the deficits were experienced. 44 respondents representing 73% indicated that they experienced deficit while the 15 respondents did not respond to this question. This is a clear indication that almost all the constituencies experienced budgetary deficits.

Table 12: Analysis for the factors that contributed to the deficit

factors	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
High cost of material and labour for the project	91%	2.3%		6.7%	-	100%
Poor budgets allocation by the CDF committee	1.7%	-	-	-	98.3	100%
Unsustainable scale of activities	98%	-	-	2.0%	-	100%

Table 12 shows that 91 percent of respondents strongly agreed that a deficit was attributed to high cost of raw materials and labour for the project. 98% strongly agree that the deficit was caused by unsustainable scale of activities while 98% strongly disagreed that poor budget allocation was a contributory factor to the deficit.

Table 13: Analysis for If deficit? High cost material/labour?

		Respondents Frequency	Percentage
Valid	Strongly agree	55	91.7%
	Strongly disagree	4	6.7%
	Total	59	98.3%
Missing	System	1	1.7%
Total		60	100.0%

Table 13 shows that out of the 60 respondents 55 of them (91.7%) indicated that budget deficit was due to high cost of raw materials and labour.

Table 14: Analysis for deficit due to poor budgetary allocation

		Respondent Frequency	Percentage
Valid	Strongly disagree	59	98.3%
Missing	System	1	1.7%
Total		60	100.0%

Table 14 shows that 59 out of the 60 respondents (98.3%) strongly disagree that budgetary allocation led to budget deficit.

Table 15 Analysis for deficit due to unsustainable scale of activities

		Respondent Frequency	Percentage
Valid	Strongly agree	59	98.3%
Missing	System	1	1.7%
Total		60	100.0%

Table 15 indicates that 59 respondents out of 60 strongly agreed that they suffered deficits due to unsustainable scale of activities.

Conclusions

In conclusion we can say that the deficit was highly attributed by high cost of raw materials and labour for the projects and unsustainable scale of activity. On poor budget allocation factor 98% felt that it was not true.

4.4 Analysis for Proper governance and accountability

98% of respondents felt that proper budgeting can play a great role in promoting governance and accountability in their constituencies as shown in the table below.

Table 16: Analysis for Budgetary importance to good governance and accountability of CDFs

		Respondents Frequency	Percentage
Valid	Strongly agree	59	98.3%
Missing	System	1	1.7%
Total		60	100.0%

Table 16 indicates that 59 respondents (98.3%) out of 60 respondents strongly agreed that proper budgeting can enhance accountability and good governance while only one respondent (1.7%) did not respond.

4.5 Analysis for Budget committees and necessity to have budgeting members with financial techniques

They all agreed that it was necessary to establish budget committees and have the members conversant with budgeting techniques in financial management for better CDF resource management. This could be done through training of the budget committee members as they all suggested as indicated in table 17 below.

Table 17: Analysis for the necessity to have budgeting members with financial techniques

		Respondent Frequency	Percentage
Valid	Yes	59	98.3%
Missing	System	1	1.7%
Total		60	100.0%

		Strongly Agreed %	Agree %	Neutral %	Disagree %	Strongly disagree	Total
Respondent Frequency	59	-	-	1	-	-	60
Factors i)be informed and be vigilant on effective budgeting of the CDFs		98.3%	-	1.7 %	-	-	100%
ii)to review and make recommenda tions on the CDF management programs and to monitor compliance with budgeting policies put in place		98.3%	-	1.7%	-	-	100%
iii)to put in place proper planning of CDF		98.3%	-	1.7%	-	-	100%

resources							
iv)Review the budget performance quarterly, half yearly and end year financial		98.3%	-	1.7%	-	-	100%
v)to enhance proper management through budgeting controls of the CDF		98.3%	-	1.7%	-	-	100%
vi)to communicate and coordinate all planned activities to all stakeholders		98.3%	-	1.7%	-	-	100%
vii)consider deploying CDF committee on merit		98.3%	-	1.7%	-	-	100%
viii)consider the major findings of CDF budgeting investigations and responses		98.3%	-	1.7%	-	-	100%
x) a full access to CDF information		98.3%	-	1.7%	-	-	100%
xi)obtain external professional		98.3%	-	1.7%	-	-	100%

advice with relevant experience to attend the CDF projects implementation and evaluation							
xii)Train the CDF members on financial management and especially on budgeting		98.3%	-	1.7%	-	-	100%

Table 18: Analysis for factors that enhance governance and accountability

Table 18 indicates that 59 respondents (98.3%) indicated that factors given above enhanced good governance and accountability while one respondent (1.7%) never responded to the question.

Summary of table 18

98% of respondents felt that all need to be informed and be vigilant on effective budgeting of the CDF, they should be allowed to review and make recommendations on CDF management programmes, there should be proper planning of CDF resources, budgets performance should be reviewed quarterly half yearly to compare the actual and budgeted and make corrective action. Proper budgeting should be enhanced through budgetary controls, that communication is key to all stake holders, that budget committee be established on merit, external professional advice be invited to monitor the projects and that all should have explicit authority to investigate CDF budget allocation as this should be made a public document. Most of the respondents felt that the following factors posed to them led to improper budgeting practices as shown below.

Table 19: Analysis for factors that led to improper budgeting practices

Factors	Strongly	Agree	Neutral	Disagree	Strongly	Percentage
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	agree				disagree	total
Lack of clear policies and procedures on budgets	63%	1.5%	1.5%	13.3	21%	100%
Lack of coordination of activities	93.3%	1.5%	1.5%	1.7%	2%	100%
Poor corporate governance	68.3%	-	11%	1.7%	20%	100%
Lack of adequate time to implement the projects	81%	1.7%	1.7%	5	11.6%	100%
Lack of skilled personnel since no expertise is needed	86.7%	1.7%	1.7%	3.3	6.6%	100%
Lack of proper feasibility studies	88.3%	1.7%	1.7%	1.7%	6.6%	100%
Lack of proper bookkeeping	91.7%	1.7%	1.7%	1.7%	3.2%	100%
Lack of full access to CDF information	56.7%	3.3%	31%		9%	100%

From table 19 it is clear that budget policies should be put in place, activities should be coordinated, better corporate governance enhanced, adequate time to be given for project implementation, hire skill personnel, better book keeping and full access to CDF information should be emphasized.

4.6 Project identification ranking and monitoring

Most of the respondents (85%) said that projects were identified by the members of the community as per the CDF act of 2003. 98% said the project has ranked on cost/benefit analysis. 98% of the respondent said the projects are monitored using audit trail.. they also specified that the CDF board and the provincial monitoring and evaluation team also monitor the projects.

Table 20: Analysis on whether projects are monitored

		Respondent Frequency	Percentage
Valid	1	59	98.3%
Missing	System	1	1.7%
Total		60	100.0%

Table 20 indicates that 59 respondents (98.3%) out of 60 agreed that projects are monitored while one respondent did not respond who represents 1.7% as shown above.

Table 21: Analysis on who monitors the project

		Frequency	Percentage
Valid	1	57	95.0%
	4	2	3.3%
	Total	59	98.3%
Missing	System	1	1.7%
Total		60	100.0%

Table 21 indicates that 95% of the respondents said that the projects were monitored by audit trail while 3.4% said they were monitored by a budgetary committee.

4.7 Uses/Advantages of proper budgeting

The respondents were asked to rate on a likert their agreements or otherwise the extend to which proper budgeting could enhance the following advantages. They responded as follows

Table 22 Analysis for budgetary uses

Advantages/uses	Strongly	Agree	Neutral	Disagree	Strongly	Total
-----------------	----------	-------	---------	----------	----------	-------

	agree				disagree	Percentage
i)assist in planning of CDF projects	96%	2.3	-	1.7	-	100
ii)assist in appraisal CDF projects	96.7%	2.6	-	1.7	-	100
iii)receiving feedback of CDF projects	98.3%	-	-	1.7	-	100
iv)ensuring accountability of CDF projects	96.7%	2.3	-	1.7	-	100
v)Ensuring accounting policies in CDF	96.7%	2.3	-	1.7	-	100
vi)Ensuring proper bookkeeping enforcement	98.3%	2.6	-	1.7	-	100
vii)Pursuing CDF project feasibility studies	98.3%	2.6	-	1.7	-	100

Table 22 above indicates that on average 97% of the respondents strongly agreed that the above factors could be used to enhance proper budgeting in the management of CDF funds. On the issue of delayed projects 100% response for all constituencies was given. They said projects are delayed and this because of late disbursements of CDF funds by treasury others said it was due to mismanagement of fund by CDF officials while others said it was due to uncertainties of prices changes in the market such as high prices of raw materials and labour.

4.8 Analysis for Challenges of budget preparation

The respondents were asked to rate on a likert scale how the following challenges affect the budget preparation and the responses are shown in the table below.

Table 23: Analysis for Challenges of budget preparation

Challenges	Strongly	Agree	Neutral	Disagree	Strongly	Total
------------	----------	-------	---------	----------	----------	-------

	agree				disagree	percentage
Cost escalation beyond the expected limits	96%	-	0.7%		3.3%	100%
Time limits in preparation of budgets	81.7%				18.3%	100%
Failure by the top management to support the budget	16.7%	26.7%	26.7%	1.7%	28.2%	100%
Unplanned repairs or patches of a budget due to uncertainty	85%	-	-	-	15%	100%
Lack of trained personnel to prepare the budgets	78.3%	-	1.7%	-	20%	100%
Setting unrealistic budget target	91.7%	-	1.7%	-	6.7%	100%
Conflict among members of the CDF staff	85%	-	-	-	15%	100%

From the above data we can conclude that the above factors / challenges hindered budget preparation.

4.9 Summary of findings

The results show that all the constituencies prepare budgets but only 31% do have budget committees. On budgetary practices 96% indicated that they preferred to use activity based budgeting while 1.7% said they use zero based budgeting. This they attributed to the funds being released by the CDF board on the basis of the activities of the projects and that a maximum ceiling of funds had to be observed. On the challenges of budgeting most respondents do agree that they faced various challenges including cost escalation beyond expected limits, time limits in preparation of budgets, unplanned repairs of budgets due to uncertainties, , lack of trained personnel, setting unrealistic budget targets and conflicts among members of the CDF staff.

CHAPTER FIVE

DISCUSION OF FINGINGS, CONCLUSIONS, POLICY RECOMMENDATIONS, LIMITATIONS OF THE STUDY AND SUGGESTIONS FOR FURTHER RESEARCH

5.1 Discussion of findings and conclusions

The objective of this study was to establish the budgetary practices among CDFs in allocation of these resources in Nairobi county. The practices surveyed included; the bottom-up budgeting, top-bottom ,activity based, planning program budgeting, agile approach, zero based approach, line item budgeting and computerized budgeting. Also was the aspect of budgeting period, which most respondents said run for one year. Project performance and completion for 2003 to 2008 showed that project were completed in time while the remaining were completed in the consecutive year before other projects were initiated. Out of the 96 respondents 60 of them indicates that they use budgets. We can therefore conclude that budgeting is a widely used practice in the CDFs in Kenya.

The most widely applied budgeting period is one year and most constituencies review performance against budgets quarterly, half yearly and from this we can conclude that budgeting is used by the CDFs in Kenya to review performance against budgeted funds and is used as a management tool for evaluating performance of the constituency projects. It is also clear that the constituency medium term strategic plans are expressed in budgeting terms.

The most importance use of budgeting according to this research is the value the local citizens get for the tax payers (CDFs) money. This is achieved thorough planning for the optimal use of resources as well as continuously coordinating and evaluating performance and putting in corrective action in good time with most of the constituencies reviewing their performance against budgets every three months, deviation from planned performances will be released and corrected in good time.

From the information regarding project performances and completion for the year 2003-2008 for every constituency the number of projects funded varies and also the fund allocations varies apart from that of 2003-2004 which was Ksh 6,000,000 for all constituencies. All the projects funded 98% were on average completed while 2% were incomplete. All these projects as per current date have been completed since it is mandatory that no project should be initiated before the ongoing project are completed. In budgetary preparation 73% of the

constituencies indicated that they experienced deficits and this was attributed to high cost of raw materials and labour for the projects and unsustainable scale of activities regarding project implementation such as running costs. Budgeting committees have been emphasized by 63% of all the respondents who they say should be trained or should be established in every constituency on merit and should be trained or should be conversant with budgeting techniques in financial management.

With regard to aspect of good budgeting, respondents strongly felt that all should be informed and be vigilant on effective budgeting of the CDFs, all should review and make recommendations on the CDFs management programs established to monitor compliance with the budgeting polices and that proper planning of resources should be put in place. It has also been noted that budget performance should be reviewed quarterly, half yearly and yearly. A few stated that performance evaluation should be continuous where rolling budgets are emphasized on a continuous basis and corrective action can be maintained throughout the project cycle.

On the level of criticisms 78% of respondents strongly feel that these criticisms contribute to budgetary inadequacies and if the given factors were corrected the budgeting of the CDF would improve greatly. All in all they all feel that budgeting should add value on the eyes of the local citizens.

5.2 Recommendation

All the CDFs in Kenya should adopt more advanced methods of budgeting such as agile budgeting and computerized budgeting. Use of activity based budgeting is prevalent with 96% while zero based had 1.7 % line based while 3.3 used a combination of the above. Although historic data should not be ignored while planning for future, prior year budgeting has some significant shortcomings which could compromise the value of the budgets prepared leading to inadequacies and inefficiencies in the project implementation and completion.

According to the research most of the constituencies use activity based budgeting. However since it has its own shortcomings a combination of the budgeting practices could benefit them more. With regard to review of the budgets, majority of the constituencies indicates that performance against budgeting is reviewed by the CDF board, and audit trail (accountants)

while this is good, ways should be devised of incorporating cross functional teams that cut across all ranks to create a sense of benefit for all the local citizens. This way implementation of the corrective actions will be seen as less of an imposition.

With regards to criticisms posed to respondents most of them strongly felt that these were the most contributing factors to inadequacies in budgeting of the CDF budget allocation in Kenya. Budgets are useful as a management tool but need to be used with caution. Sometimes there is temptation to be too prudent and set very lenient budgets. This ensures that performance is always exceeding targets but value for the local mwananchi remains less than optimal.

It was also recommended that budgets committees should be established and that budgets should be used properly in order to ensure that the CDF resources are well utilized and within the budget as much as possible for the common good of all Kenyans.

5.3 Limitations of the study

This study was limited by the fact that some respondents felt that the information required was confident and that it could be levelled against them. As such some figures were left unanswered or were unanswered at all.

The questionnaire was administered on a drop and pick method since personal interviews were impossible because the respondents were not available at the time. Most of the respondents could not be traced to their offices and even in their mobile numbers could not be reached. However with more timely visits and pestering of the respondents most of them finally got to fill the questionnaire. Some of the information and especially on the funds allocated each year since 2003-2008 and the number of the projects funded, those completed and uncompleted in the respective years could only be found with the accountants and therefore they necessitated the rest of the group referring to the accountants for such information. The time allocated for the research was also limited. The cost of doing the research was also very high due to the frequent visits to see if the questionnaires were filled.

5.4 Suggestion for further research

Since this research is only done on CDF budgetary practices this research can be extended to other government institutions such as parastatals to enhance proper governance and accountability of public resources. Budgeting should be studied in other sectors of the economy especially in agricultural sector and water sectors since they are the main source of livelihood and strategic planning in the sector could play a big role in the success of the sector.

For factors that affect budgets which the respondents indicated to be important to the process, it will be important to study them in depth and establish the extend to which they affect the process. Such research would aim to study how the institutions go about estimating these factors to enable them make realistic assumptions.

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APPENDIX I

BUDGET FOR THE RESEARCH				
S/NO.	ITEM	NUMBER OF DAYS	RATE KSHS.	AMOUNT KSHS.
1	Research assistant	2 to 5 days	500	5,000
2	Transport for research ass.	2 to 5 days	500	5,000
3	Subsistence and traveling for research assistants	2 to 5 days	500	5,000
4	Typing and photocopying			15,000
5	Telephone communication			5,000
6	Report preparation and binding			5,000
7	Other copies			7,000
8	Contingencies			5,000
9	Final preparation			10,000
10	Stationeries			5,000
11	Totals			67,000

APPENDIX II

LETTER OF INTRODUCTION TO RESPONDENTS

University of Nairobi,
School of Business
P.O. Box 30197
Nairobi.

Dear Respondent,

RE: COLLECTION OF RESEARCH DATA

I am a post graduate student at the University of Nairobi, School of Business pursuing a Masters Degree in Business Administration (MBA) program in accounting. In order to fulfill my degree requirement, I'm currently conducting a management research on CDF Budgetary Practices, a case in Nairobi County.

You have been selected to form part of this study. This therefore, is kindly to request you to spare some of your precious times to assist me to collect the data by filling in the accompanying questionnaire. The information provided will exclusively be used for academic purpose and will be treated with utmost confidence. Neither your name nor any other details shall appear in my report.

Your cooperation is highly appreciated.

Yours faithfully,

Phyllis Mwangeli Kalungu.

.....

Student.

Mohamed N. Mwachiti

.....

Supervisor.

APPENDIX III
QUESTIONNAIRE

Respondents number.....

This questionnaire has been designed to help the researcher collect data concerning the role of Budgeting in ensuring proper governance and management of CDF resources. You have been identified as one of the potential respondents in the study and are therefore requested to fill the following questionnaire. The information you will provide will be treated in confidence and will be for academic purpose only.

1. What is the name of your constituency?
2. In your opinion, do you think that the Constituency Development Funds (CDF) is well managed and accounted for? (Tick appropriately.)

	()	()	()	Scale
Poorly managed and accounted for	()		1	
Averagely management and accounted for	()		2	
Below average	()		3	
Well managed and accounted for	()		4	
Highly management and accounted for	()		5	
Any other specify.....				

3. a) Do you have budget committees for the constituency development fund (CDF)?
Yes () No ()

b) If yes who are involved in the budgeting process (budgetary committee) please tick the appropriate from the following choices

- i. The CDF senior management ()
- ii. The employees and junior staff ()
- iii. The accountants/bursars ()
- iv. The member of the parliament and his supporters ()
- v. The CDF committee members ()
- vi. All of the above ()

- vii. None of the above ()
- viii. Any other (specify).....

c) What duration does the budget cover?
 1 year () less than 1 year () 2 years () 3 years () 4 years ()
 more than 5 years ()

4. a) What budgeting practices/approaches do you use for your CDF allocation? Please tick the appropriate from the following choices.
- i. Bottom-up budgeting (participational budgeting where the junior CDF staff and employees originate with budget proposals for overall budget formulation ()
 - ii. Top-bottom budgeting (senior CDF staff come up with a budget and communicate to the junior staff) ()
 - iii. Activity based budgeting (where the cost of every project activity is determined and budgeted for) ()
 - iv. Planning program budgeting(where objectives are set and suitable programs are put in place to achieve the objectives on the basis of cost /benefit analysis for each programme) ()
 - v. Agile approach (where budgeting is done on the basis of price changes in the market) ()
 - vi. Zero based budgeting (where every cost of a project begins at zero) ()
 - vii. Incremental budgeting (previous years' budget cost are increased) ()
 - viii. Line item budgeting (where project managers are authorized to spent up to a certain amount on a particular line item) ()
 - ix. Computerized budgeting (uses 'what if' analysis to examine how a result will change if the original predicted data are not achieved) ()
 - x. All of the above ()
 - xi. None of the above ()
 - xii. Any other specify.....

b) What reason can you give for choosing on the budget practice above?

.....

5. a) Kindly provide information regarding project performance and completion for the year 2003-2008.

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Total annual allocation for your constituency					
Number of projects funded each year in your constituency					
Number of projects completed each year in your constituency					
Number of incomplete project each year in your constituency					

b) Do you experience surplus/deficits in your budget? Choose the appropriate
 Surplus () Deficit ()

c) If a deficit has been experienced to what extent has the following contributed to the deficit? 1=strongly agree 2=Agree 3=Neutral 4=Disagree 5=strongly disagree.

Factors	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
High cost of materials and labour for the project					
Poor budget allocation by the CDF budget committee					
Unsustainable scale of activities					

Any other specify.....

6. Proper budgeting can play a great role in promoting governance and accountability of CDF management in your constituency.

Please tick appropriate scale.

Scale

- | | | |
|-------------------|-----|---|
| Strongly agree | () | 1 |
| Agree | () | 2 |
| Neutral | () | 3 |
| Disagree | () | 4 |
| Strongly disagree | () | 5 |

Any other specify: _____

7. a) In your own opinion is it necessary to have budget committee members who are conversant with budgeting techniques in the financial management.

Yes () No ()

b) If not give reasons as to why?

.....
.....

c) It is necessary to train or hire trained personnel in financial management to constitute the CDF committees

Yes () No ()

Any other specify.....

8. Proper budgeting practices have a number of purposes in enhancing governance and accountability in your constituency development fund management? Do you think that each of the purposes is relevant for your CDF? Please indicate the role using appropriate scale.

1=strongly agree 2=Agree 3=Neutral 4=Disagree 5=strongly disagree.

Factors	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
i) Be informed and be vigilant on effective budgeting of the Constituency Development Funds (CDF)					
ii) To review and make recommendations on the CDF management programs established to monitor compliance with the budgeting policies put in place.					
iii) To put in place proper planning of CDF resources.					
iv) To enhance proper management through budgeting controls of the CDF.					
v) Review the quarterly half-yearly and year end CDF financial statements of the constituency.					
vi) Co-ordinate and communicate all the planned activities to the stakeholders.					
vii) Consider deploying CDF committee on the basis of merit in the constituency.					
viii) Consider the major findings of CDF budgeting investigations and CDF management responses					
ix) Have explicit authority to investigate any matter within the CDF on how budgeting allocations have been made.					

x) Have full access to CDF information, i.e., the budgets should be public documents.					
xi) Obtain external professional advice and to invite outsiders with relevant experience to attend the CDF projects implementation and evaluation, if necessary					
xii) Train the CDFC members on Financial management and especially on budgeting.					

Any other specify.....

9. In your own opinion, do you think lack of proper budgeting practices of CDF has led to the following inadequacies? Use the likert scale where; 1=strongly agree 2=Agree 3=Neutral 4=Disagree 5=strongly disagree.

Any other; specify.....

Factors	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Lack of clear policies and procedures on Budgets.					
Lack of coordination of activities					
Poor corporate governance					
lack of adequate time to implement the projects					
Lack of skilled personnel since no expertise is needed.					
Lack of proper feasibility studies before projects are identified					
Lack of proper book keeping an and accounting policies to follow					
Lack of full access to CDF information.					

10. Who are people involved in identification of CDF project in your constituency?

Please choose the appropriate from the following choices

- i. Project managers ()

- ii. Members of the community ()
- iii. Member of parliament and his/her supporters ()
- iv. CDF committee members ()
- v. The CDF accountant/auditor ()
- vi. Any other specify.....

11. On what justification are projects appraised or ranked?

Please choose from the following choices

- i. On cost/ benefit analysis ()
- ii. On time basis ()
- iii. Any other specify.....

12. a) Are the ongoing projects in your constituency monitored?

Yes () No ()

b) if yes, what mechanism is used to monitor the project implementation

- i. Monitored by use of audit trail ()
- ii. Monitored by CDF budget committee ()
- iii. Monitored by the area member of parliament()
- iv. Any other specify.....

13. Do you think proper budgeting will bring about the following advantages?

Use the likert scale where:

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
i) Assist in planning CDF project					
ii) Assist in appraisals of CDF projects					
iii) Receiving feedback of CDF projects					
iv) Ensuring accountability of CDF projects					
v) Ensuring accounting policies in CDF projects					
vi) Ensuring proper bookkeeping enforcement					
vii) Perusing CDF project feasibility studies					

Any other (please specify).....

14. a) Are there situations when CDF projects are delayed in completion?

Yes () No ()

b) If yes state reasons as to why

.....

15. a) The following challenges affect the preparation of budgeting, to what extent do you agree

Challenges	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Cost escalations beyond the expected limits					
Time limits in preparation of budget					
Failure by the top management to support the budget					
Unplanned repairs or patches					

of a budget due to uncertainty					
Lack of untrained personnel to prepare the budget					
Setting unrealistic budget target					
Conflict among members of the CDF staff					

Any other specify.....

16. Suggest measures to meet the challenges in budget preparation

.....

Thank you for your time and cooperation.